



State Capitol | Lansing, Michigan 48913
PH (517) 373.2413 | FAX (517) 373.5144
www.senate.michigan.gov/gop/senator/allen/

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Contact: Jamie Callahan
(517) 373-2413

Senate passes bills creating tax deductions for residents with Michigan Education Savings Program accounts

LANSING – In conjunction with September as College Savings Awareness Month, the Senate on Tuesday overwhelmingly passed legislation to expand the Michigan Education Savings Program accounts to include estates, trusts and tax-exempt organizations Sen. Jason Allen, R-Traverse City, announced.

“With the costs of a higher education increasing every year, parents and family members need as many options at their fingertips to ensure that college remains affordable,” Allen said. “I am more than happy to support this important legislation for students today.”

House Bill 5534 would amend the Income Tax Act to prevent MESP account withdrawals from disqualifying future contributions from receiving tax benefits. Per state law, once a withdrawal is made from an MESP account, future contributions are no longer deductible for income-tax purposes.

Allen sponsored an amendment to House Bill 5783 that was adopted by the Senate, adding a provision for non-profit groups who used the MESP to provide scholarships without fear of losing the money should the individual chosen to receive the scholarship is unable to use it.

Amending the Michigan Education Savings Program Act, HB 5782 would allow individuals, estates and trusts to enter into contracts establishing accounts and become “account owners.”

“This legislation gives more flexibility to the individual and provides them with the opportunity to help manage their funds,” Allen said. “By giving people more ownership of their funds it helps promote and strengthen the program.”

The MESP Act, created in 2000, was designed to allow individuals to contribute money to an account that can later be used to pay for higher education costs. Contributions of up to \$235,000 are tax deductible up to \$5,000 for a single account and \$10,000 for a joint account.

HB 5783 was passed by the Senate with the Allen amendment and will now go back to the House of Representatives for approval. HBs 5534 and 5782 now go to the governor for her signature.